



# NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

**FOR IMMEDIATE RELEASE**  
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## **TREASURER ANGELIDES WINS CALSTRS APPROVAL OF KEY SHAREHOLDER PROTECTION INITIATIVES**

*Angelides Says Package of Reforms Will Help Restore 'Sense of Fairness' to Financial Markets,  
Help Create Long-Term Value for Corporations and the Economy*

SACRAMENTO, CA – The California State Teachers' Retirement System Investment Committee today approved two of Treasurer Phil Angelides' key corporate reform initiatives aimed at protecting pensioners and investors: new standards for equity compensation plans – including stock options – for the 1,000 largest companies in which the public pension fund invests its money; and the Treasurer's "Investment Protection Standards" for any broker-dealers and investment banks that want to do business with the pension fund.

In addition, the California State Teachers' Retirement System (CalSTRS) Investment Committee also took action on a third of the Treasurer's corporate reform initiatives. It appointed a three-member ad hoc committee to work with the California Public Employees' Retirement System (CalPERS) to further refine and make recommendations on the Treasurer's plan for a California Office of Pension Protection and Market Reform. The three board members are Jay Schenirer, Carolyn Widener and State Controller Steve Westly.

"These actions place CalSTRS in the forefront of efforts to bring about needed corporate reform," Angelides said. "As we develop and institute new, bold standards on key issues such as codes of financial conduct, executive compensation and stock options, we are raising the bar nationwide to restore a sense of fairness to the financial markets, protect investors and help create long-term value for corporations and the economy." The Treasurer sits on the boards of CalPERS and CalSTRS, the nation's largest and third-largest public pension funds.

Under the Treasurer's newly approved equity compensation standards, CalSTRS will vote to support equity compensation plans only if the plans award five percent or less of the total compensation to the top five executives of the company. In addition, CalSTRS will "encourage minimum vesting periods of five years" in any equity compensation plans. The CalPERS board last month adopted similar standards for voting on equity compensation plans.

Angelides said his new standards will encourage corporations to offer broad-based equity compensation plans for all their employees, and not just top executives, and to curb the excesses in executive compensation that have undermined confidence in the nation's financial markets.

The Treasurer first proposed the equity compensation standards in April for both CalPERS and CalSTRS. The CalSTRS Investment Committee vote constitutes formal CalSTRS approval of the policy.

Today's action comes at a pivotal time. New rules approved June 30 by the Securities and Exchange Commission (SEC) would require shareholders like CalPERS and CalSTRS to approve equity compensation plans for corporations listed in the New York Stock Exchange and the NASDAQ Stock Exchange. In addition, the adoption of Angelides' proposal comes in the wake of newly released studies that show that compensation for corporate executives climbed in 2002, even as stock prices continued to drop.

In its other major action today, the CalSTRS Investment Committee voted to impose the Treasurer's tough new requirements, called Investment Protection Standards, on all investment banks that want to do business with the pension fund. Currently, about 300 investment banks and broker-dealers do business with CalSTRS. The Treasurer's Investment Protection Standards will protect investors, taxpayers and pensioners by setting new minimum standards for conduct by investment banks.

The Treasurer's new Investment Protection Standards will require, among other things, that investment banking firms separate entirely their research and investment banking practices, including physical separation and completely separate lines of command, legal and compliance staffs and budgeting. Firms also will be required to create "firewalls" between research and investment banking reasonably designed to prohibit improper communications between the two. CalSTRS expects all investment banks that want to do business with the pension fund to submit compliance plans by Dec. 1.

"These new Investment Protection Standards will serve not merely as guidelines but as new threshold requirements for investment bankers that want CalSTRS' business," Angelides said. "These standards will help put an end to the destructive marketplace abuses that have rocked our nation's financial markets and left taxpayers and investors to pick up the pieces."

As was the case with the equity compensation standards, CalSTRS' Investment Committee adoption today of the Investment Protection Standards constitutes formal CalSTRS approval of the policy. The pension fund's action today on the Investment Protection Standards follows the Treasurer's announcement in May that he was applying and expanding the tough new reforms of the well publicized Wall Street settlement to each investment bank that wants to do business with the State of California.

In March, the Treasurer first proposed a California Office of Pension Protection and Market Reform as a joint operation of CalPERS and CalSTRS. The mission of the new Office would be to take whatever steps are prudent and necessary to protect state pension fund members and their assets. The Office would enhance the ability of the pension funds to seek redress and restitution for harm done and losses caused by corporate malfeasance; help protect pensioners from future misconduct; and pursue corporate and financial market reforms necessary to return and maintain integrity in the marketplace.